

VZCZCXRO7499

PP RUEHAG RUEHAST RUEHBI RUEHCI RUEHDBU RUEHDF RUEHIK RUEHLH RUEHLN
RUEHLZ RUEHPW RUEHROV RUEHVK RUEHYG
DE RUEHAH #1076/01 2780646
ZNR UUUUU ZZH
P 050646Z OCT 07
FM AMEMBASSY ASHGABAT
TO RUEHC/SECSTATE WASHDC PRIORITY 9496
INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY
RUCNCIS/CIS COLLECTIVE PRIORITY
RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 2844
RUEHBJ/AMEMBASSY BEIJING PRIORITY 0665
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0024
RUEHKO/AMEMBASSY TOKYO PRIORITY 0541
RUEHIT/AMCONSUL ISTANBUL PRIORITY 1117
RUEKJCS/JOINT STAFF WASHDC PRIORITY
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY
RUEKJCS/SECDEF WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHEHNSC/NSC WASHDC PRIORITY
RHEFDIA/DIA WASHDC PRIORITY
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 ASHGABAT 00076

SIPDIS

SENSITIVE
SIPDIS

STATE FOR SCA/CEN, EUR/RUS, EUR/CARC, EEB
PLEASE PASS TO USTDA DAN STEIN
COMMERCE FOR HUEPER
ENERGY FOR EKIMOFF

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [EPET](#) [RS](#) [AJ](#) [TX](#)

SUBJECT: PETRONAS IN TURKMENISTAN: FULL OF GAS

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: Petronas, which unexpectedly hit substantial (an estimated 20 billion cubic meters at maximum production) reserves of ethane- and propane-rich natural gas in the Caspian Sea, is looking at gas export options. These options include sending the gas north to Russia via a pipeline for which it would need to pay a substantial sum to help rehabilitate (which it is planning on pursuing), exporting natural gas to Iran, or -- now -- sending it west via a connector pipeline proposed by the U.S. and Azeri governments. Although Petronas mistrusts the Azeris and Turks as potential business partners, the connector pipeline could be the most economically attractive option, and Petronas would be willing to cooperate with a U.S. Trade and Development Agency-funded feasibility study. However, the need to factor ethane and propane extraction into the overall equation could create new complications. END SUMMARY.

13. (SBU) During a September 17 dinner, the General Manager of Petronas in Turkmenistan, Suleiman Abdullah, told U.S. Trade and Development Agency Regional Director for Europe and Eurasia Dan Stein that his company, which works Turkmenistan's Block 1 in the Caspian, has found significant amounts of gas along with the oil that Petronas currently is working. Although Petronas currently continues to burn off the gas, it expects to produce up to 20 billion cubic meters (bcms) per year of gas over the coming years. Petronas is planning to build four drilling rigs and operate a collector platform in Block 1. Abdullah told Stein Petronas is entitled to obtain the highest available price for its gas under its production sharing agreement.

14. (SBU) In general, Petronas favors sending the gas north to Russia, since Petronas knows that it can count on receiving its share of the gas proceeds, even though the \$100 per thousand cubic meters (tcms) Turkmenistan receives from

Gazprom is far below the price the Europeans pay. To that end, Abdullah said, his company is planning on rehabilitating the Turkmenistan portion of the Caspian littoral (CAC-III) pipeline, as foreseen in the May 12 Putin-Nazarbayev-Berdimuhamedov agreement in Turkmenbashi. According to Abdullah, the entire Turkmenistan portion of the pipeline would need to be replaced, and Petronas is considering replacing the 42-inch pipe with 48-inch piping. Petronas has also worked out a deal with Kazakhstan's Kaztransgaz, owned by Kazmunaygaz, in which Kaztransgaz would pay for the replacement of about 500 kilometers of bad Kazakh pipeline and a compressor station located in Kazakhstan (the compressor station has been non-functioning since it was cannibalized some years ago), if Petronas guarantees payment of transport fees for the next 20 years.

15. (SBU) Petronas is also looking at -- and, in fact, has already broken ground for -- a gas treatment plant to remove propane and butane from the gas and bring the gas up to commercial pipeline standards. It expects to open the plant north of the Caspian port city of Turkmenbashi in 2010. More speculative plans for the facility would include not only the gas treatment plant, but also a tank farm and -- potentially -- a petrochemical plant to produce up to 450,000 tons of ethylene per year. When Phase I of the plant is complete, Abdullah said, Petronas expects to be able to process five bcm of gas per year. With the completion of Phase II, processing would increase to 10 bcm per year. Abdullah reported that Petronas is considering selling the processed gas to Iran, possibly as part of a swap arrangement.

16. (SBU) Petronas is moving forward on both these possibilities, but Abdullah also said, "We will ship our gas

* Missing Section 002 *
